

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

OFFICE OF AUDITS AND COMPLIANCE

REPORT OF FINDINGS AND RECOMMENDATIONS

BUSINESS SERVICES

CALIFORNIA MEDICAL FACILITY

JULY 21 THROUGH JULY 25, 2008

PRELIMINARY

CONDUCTED BY
THE AUDITS BRANCH



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**OFFICE OF AUDITS AND COMPLIANCE
AUDITS BRANCH**

CALIFORNIA MEDICAL FACILITY

INTRODUCTION

The California Department of Corrections and Rehabilitation's (CDCR), Office of Audits and Compliance (OAC), Audits Branch conducted an audit of Business Services at California Medical Facility (CMF). The purpose of the audit was to analyze and evaluate the level of compliance with State and departmental policies, procedures, rules, regulations, operational objectives, and guidelines. Normally, 11 areas are audited, however, due to travel restrictions imposed by the Governor's Executive Order S-09-08 travel was terminated. The following areas were reviewed:

- Personnel Transactions (partial);
- Procurement (partial);
- Plant Operations (partial); and
- Inmate Trust Accounting (partial).

The fieldwork was performed during the period of July 21 through July 25, 2008. An informal exit conference was held on July 25, 2008, with the Correctional Business Manager II.

Michael D. Robinson, Staff Management Auditor (A), and Management Auditors: Annette Sierra, Naomi Banks, and Saihra Posas; Tina Cherry Correctional Plant Manager, California State Prison, Solano, provided subject matter expertise. René P. Francis, Senior Management Auditor (A) and Patricia Weatherspoon, Senior Management Auditor provided second line supervision and review. Richard C. Krupp, Assistant Secretary of the OAC, provided executive management oversight.

The audit consisted of an entrance conference, review of the prior reports, test of transactions, interviews, observations, periodic management briefings, an exit conference, and issuance of the preliminary audit report.

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AUDIT SCOPE

The scope of the audit encompasses the examination and evaluation of the adequacy and effectiveness of CMF's system of management control and compliance to applicable policies, procedures, rules, and regulations. The audit period may include prior fiscal years if deemed necessary. The control objectives include, but are not limited to the following:

- State assets are safeguarded from unauthorized use or disposition;
- Transactions are executed in accordance with management's authorizations;
- Transactions are executed in accordance with applicable rules and regulations;
- Transactions are recorded correctly to permit the preparation of financial and management reports; and
- Programs are working efficiently and effectively.

In order to determine the adequacy of the control systems and level of compliance with State, federal, and departmental fiscal procedures, the audit team performed the following audit procedures:

- Examined evidence on a test basis supporting management's assertions;
- Performed detailed analyses of documentation and transactions;
- Interviewed Facility staff;
- Made inspections and observations;
- Performed group discussions of the overall impact of deficiencies; and
- Discussed deficiencies with supervisors and management throughout the audit process.

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SYMPTOMS OF CONTROL DEFICIENCIES

Experience has indicated that the existence of one or more of the following danger signals will usually be indicative of a poorly maintained or vulnerable control system. These symptoms may apply to the organization as a whole or to individual units or activities. Department heads and managers should identify and make the necessary corrections when warned by any of the danger signals listed below:

- Policy and procedural or operational manuals are either not currently maintained or are nonexistent;
- Lines of organizational authority and responsibility are not clearly articulated or are nonexistent;
- Financial and operational reporting is not timely and is not used as an effective management tool;
- Line supervisors ignore or do not adequately monitor control compliance;
- No procedures are established to assure that controls in all areas of operation are evaluated on a reasonable and timely basis;
- Internal control weaknesses detected are not acted upon in a timely fashion; and
- Controls and/or control evaluations bear little relationship to organizational exposure to risk of loss or resources.

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CORRECTIVE ACTION PLAN

CMF's corrective action plan (CAP) is due within 30 days of receipt of the preliminary audit report. See Attachment A for a sample of the format.

The CAP is designed to document the institution's plan to fully resolve the audit findings. It includes a brief description of the audit finding, the classification of the personnel directly responsible for resolving the finding(s), their telephone number and/or extension, a brief description of the proposed action and the anticipated date of completion.

Please e-mail your completed CAP to Alberto.Caton@cdcr.ca.gov and Rose.Mitjans@cdcr.ca.gov. Send the original to Alberto Caton, OAC, P.O. Box 942883, Sacramento, CA 95811-7243.

If you need additional time to prepare your CAP, please contact Alberto Caton, Correctional Administrator at (916) 255-2717.

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EXECUTIVE SUMMARY

The Audits Branch conducted an audit of the Business Services Operations at CMF during the period of July 21 through July 25, 2008. The purpose of the audit was to determine the level of compliance with State, federal, and departmental rules, regulations, policies, and procedures. Prior to this audit, the Audits Branch conducted an audit of CMF's Business Services from June 30 through July 25, 2003, and a follow-up audit from January 26 through January 30, 2004. Unresolved findings are identified in this report as "Prior Finding."

An informal exit conference was held on July 25, 2008, with the Correctional Business Manager II. The Audits Branch requested that CMF provide a CAP within 30 days of receipt of the preliminary audit report.

It should be noted that 11 areas are normally audited, but due to the travel restrictions related to the Governors Executive Order S-09-08, travel was suspended on July 25, 2008, and only 4 areas were reviewed.

Areas audited:

- Personnel Transactions (partial);
- Procurement (partial);
- Plant Operations (partial); and
- Inmate Trust Accounting (partial).

Twenty-four findings are identified in the preliminary audit report, categorized under the following topics:

Category	Number of Findings	Page Number
Policies and Procedures	2	1
Health and Safety	3	2
Internal Control	10	5
Late Detection and Additional Workload	9	9
Total	24	

This executive summary provides the category, a brief description of the finding, criteria, impact, and prior finding, if applicable.

I. POLOCIES AND PROCEDURES

A. Administrative

Department Operations Manual (DOM) supplements and Operational Procedures (OP) are not always reviewed on an annual basis. Of the 134 DOM supplements and OPs reviewed, 22 are not current. State Administrative Manual (SAM).

Impact: This issue could result in difficulty complying with current policies and procedures.

B. Plant Operations

The Institution's Plant Operations Procedure Manual (POPM) is inadequate. It does not contain a Preventive Maintenance (PM) Section, Mission Statement, Confined Space Program, Respiratory Protection Program, an approved Lock-out/Tag-out Procedures and Fall Protection Plan. DOM and SAM. **(Prior Finding)**

Impact: This condition results in difficulty identifying operational procedures and may make training difficult.

II. HEALTH AND SAFETY

A. Plant Operations

Plant Operations is not maintaining chemicals adequately. The Audits Branch noted deficiencies at the following locations: the Electrician, Plumbing, Stationary Engineers Shops, and the Boiler House. Deficiencies generally related to Material Safety Data Sheet (MSDS) binders, daily perpetual inventory, and chemical storage. California Code of Regulations (CCR), Title 8, DOM.

Impact: This condition could result in an increased threat to life, health, and safety, and gives the appearance that an effective Injury and Illness Prevention Plan (IIPP) has not been implemented.

The Audits Branch noted the following deficiencies regarding the Backflow devices. A master list does not exist, there is no published test schedule for 2008, and backflow devices that failed tests are not repaired and re-tested. California Plumbing Code (CPC). **(Prior Finding)**

Impact: This issue results in difficulty determining the locations and whether devices are tested annually.

Safety meetings (tailgates) are not conducted for each maintenance section at least every ten days and written minutes are not taken. Seventy-five percent of the shops tested did not conduct and document consistent safety meetings. CCR, Title 8.

Impact: This condition results in staff not performing duties in a safe and healthful manner.

III. INTERNAL CONTROL

A. Inmate Trust Accounting

The Release Fund Reconciliation sheets are not properly completed. The date prepared and the date reviewed was missing. SAM.

Impact: This condition results in difficulty determining the dates prepared and dates reviewed.

Group Account By-Laws are not available and/or maintained. Six of the seven active group accounts do not have by-laws available. SAM.

Impact: This condition results in difficulty determining the purpose of the Group Accounts, types of activity, and approval process.

Separation of Duties is inadequate over securities. One person has significant control over all aspects of securities from receipt to disposition. Additionally, the subsidiary ledger is not stored separately from the securities. SAM.

Impact: This condition may result in the late detection of errors, irregularities, theft, and/or misappropriation.

There is insufficient control over blank check stock. Check signers have the combination to the safe. This is inappropriate because the check signer has access to the blank check stock that is stored in the safe. Additionally, the safe is left open during business hours. SAM.

Impact: This condition may result in the late detection of errors, irregularities, theft, and/or misappropriation.

Spoiled, voided, and cancelled checks are not properly mutilated to prevent their misuse. SAM.

Impact: This condition could result in the misuse of checks.

Undeliverable Salary Warrants over 90 days are not returned to the State Controllers Office in a timely manner. As of July 24, 2008, there were 38 undelivered checks located in the cashier's office. SAM.

Impact: This condition could result in loss of interest to the State.

A departmental interoffice memorandum was not issued to designate a list of check signers. SAM.

Impact: This condition results in difficulty determining who is authorized to sign checks.

The Release Fund in the amount of \$10,000 had a shortage of \$67.99 which initially occurred on September 6, 2007. The fund has not been replenished to its original amount for ten months. SAM.

Impact: This deficiency may result in difficulty resolving the shortage and a late detection of errors and irregularities.

The Inmate Welfare Fund (IWF) is not remitted twice a month as required. Additionally, there are negative balances that are not reflected on the remittance. Memorandum dated August 26, 2004, Exemption for Inmate Welfare Fund.

Impact: This condition could result in the loss of interest income.

B. Procurement

CMF has not achieved its participation goals for Small Business (SB) and Disabled Veterans Business Enterprise (DVBE). The Audits Branch noted that 13.39 percent of all expenditures are attributed to SB instead of 25 percent and 1.7 percent to DVBE instead of 3 percent. DOM and the Purchasing Authority Manual.

Impact: This condition may affect the Department's purchasing authority.

IV. LATE DETECTION AND ADDITIONAL WORKLOAD

A. Personnel Transactions

According to the D03 Aging Report dated, June 30, 2008, the personnel staff did not take action on 439 ARs, totaling \$133,805, which are outstanding for over 90 days. SAM and the Accounting Instructional Memorandum 99-09.

Impact: This condition makes it difficult to collect money owed, and gives the appearance of an interest free loan. Additionally, this condition creates an additional workload and may be a hardship to the employee when collection efforts begin.

According to the Aged Revolving Fund Advances report from the Regional Accounting Office (RAO), dated June 30, 2008, the personnel staff did not take action on 45 Salary Advances totaling \$55,445. SAM.

Impact: This condition results in difficulty clearing aged advances. Additionally, it creates additional workload and gives the appearance of an interest free loan.

B. Inmate Trust Accounting

At the time of the Audit, CMF was using the Inmate Trust Accounting System (ITAS). However, starting November 1, 2008, the accounting system will change to Trust Restitution Accounting and Canteen System (TRACS), which is a statewide and real-time system that manages inmate funds, restitutions, and CDCR's obligations. The Audits Branch will verify the conversion during the follow-up audit. However, during the Audits Branch review, the following findings exist.

The Inmate Trust Accounting Office did not maintain a Manual General Ledger. SAM and ITAS.

Impact: This condition could result in difficulty reconciling accounts, late detection of errors, and irregularities.

There are 136 outstanding checks totaling \$10,385 over one year old. SAM.

Impact: This condition could result in difficulty determining whether checks are cleared and reconciled to accounts, as well as, loss of interest income. Additionally, funds are not credited to Inmate Trust Accounts.

Cash gifts/donations are deposited and maintained in the Miscellaneous Uncleared Collections account without preparation of a CDC Form 922 (Authorizations to Accept Gifts/Donations). Additionally, a special purpose trust account for gifts/donations has not been established. Cash gifts/donations must be in a separate account because combining funds may impact the CDCR budget. DOM.

Impact: This condition may result in difficulty identifying the donor, and purpose of the donation, as well as the date and amount. In addition, commingling funds may impact the CDCR budget.

C. Plant Operations

The POM report does not accurately reflect Plant Operations activities. For example labor is understated by over 25,000 hours, the actual number of staff is not listed, and 11 of the 13 trades assigned to Plant Operations do not meet the minimum hours for a pay period. Departmental Plant Operations Maintenance Procedures Manual (DPOMPM), and DOM. **(Prior Finding)**

Impact: This condition results in inaccurate reports provided to institutional management and Central Office Maintenance Unit, Standard Automated Preventive Maintenance System (SAPMS).

The Inmate Work Supervisors Time Log (CDC 1697) is not properly maintained and completed. Deficiencies were found related to inmate duty statements, sign in and sign out sheets, certification of the time inmate worked, and documentation of exceptional time. Inmate Work Training Incentive Program (IWTIP) guidelines and CCR, Title 15. **(Prior Finding)**

Impact: These conditions could result in inaccurate documentation of inmate work time, unauthorized corrections to the CDC 1697 and possible overpayments.

Trades staff are not preparing the Equipment Maintenance Data Summary Sheets (EMDSS) when a new piece of equipment is installed. The Audits Branch noted that 83 percent of equipment tested in Food Services is not tagged. Also, PM schedules are not established for new equipment. DPOMPM. **(Prior Finding)**

Impact: This condition could result in difficulty identifying assets. This may cause inaccurate reports and inventories and also diminishes the accuracy of the database. Additionally, the equipment is not tagged and PM schedules are not established.

The completed emergency work orders are not properly recorded (i.e., threat to life, health, and safety). Additionally, it is not included in the equipment history in the Facility Center (FC) database. There are 37 Priority 1 work orders that remain open or have been deferred over 90 days and have not been re-classified as complete. DPOMPM.

Impact: This issue could create an immediate threat to the Institution.

FINDINGS AND RECOMMENDATIONS

I. POLICIES AND PROCEDURES

A. Administrative

1. DOM Supplements and OPs

DOM supplements and OPs are not always reviewed on an annual basis. Of the 134 DOM supplements and OPs reviewed, 22 are not current. See chart below:

OUT-OF-DATE POLICIES, OPS, AND DOM SUPPLEMENTS			
DOM/ OP#	TITLE	DATE (MM/YYYY)	STATUS
31010	Equal Employment Opportunity	03/2005	DOM
30	Food Borne Illness Out-Break Procedure	05/2005	OP
74070	Institutional Release	05/2005	DOM
52060	Inmate Use of Telephones	05/2005	DOM
53120	Men's Advisory Council	04/2005	DOM
54020	Visiting	10/2006	DOM
55020	Key Control/Locking Device Control	04/2006	DOM
6	Inmate Personal Property	06/2005	OP
6-A	Vendor/Personal Package Program	03/2004	OP
42	Personal Grooming and Dress Standards	04/2006	OP
43	Inmate Barber Services	09/2005	OP
73	Personal Digital Assistance (PDA's)	01/2005	OP
101	Work Change Center	04/2006	OP
2	Emergency Operations	07/2005	OP
32	Escape Pursuit Plan	03/2005	OP
26	DMH Psychiatric Admission Unit/Pilot Program	07/2005	OP
51040	Post Orders	05/2005	DOM
72010	Types of Records	04/2005	DOM
53080	Handicraft Program	03/2005	DOM
45	Long Term Commitment Group	12/2004	OP
128	Citizen's Involvement & Volunteers Program	07/2006	OP
53130	Inmate Assignment	05/2003	DOM

This issue results in difficulty complying with current policies and procedures.

SAM, Section 20500, Internal Control, states in part: "Experience has indicated that the existence of one or more of the following danger signals will usually be indicative of a poorly maintained or vulnerable control system. 1. Policy and procedural or operational manuals are either not currently maintained or are nonexistent. . . ."

Recommendation

Review DOM supplements and OPs and update as necessary.

B. Plant Operations

1. POPM (Prior Finding)

The POPM is inadequate. The Audits Branch noted that OPs which require annual updates are not updated timely or are not present. For example:

- It does not contain a PM Section;
- There is no mission statement outlining the goals and objectives of Plant Operations;
- There is no OP for the Confined Space Program;
- There is no OP for the Respiratory Protection Program;
- The Lock-out/Tag-out OP has not been approved; and
- There is no OP for the Fall Protection Plan.

This condition results in difficulty identifying OPs and may make training difficult.

DOM, Article 6, Section 12000, states in part: "Regulations, manuals, and bulletins utilized to transmit departmental directives and establishes procedures for their promulgation, distribution, and maintenance."

DOM, Section 12010.3.1, Availability, states: "All policy directives are public records which shall be made available to employees, volunteers, inmates, parolees, other governmental agencies and the public, unless specifically exempt pursuant to Government Code, Section 6254."

SAM, Section 20050, states in part: "Experience has indicated that the existence of one or more of the following danger signals will usually indicate a poorly maintained and vulnerable control system. 1. Policy and procedural or operational manuals are either not currently maintained or are nonexistent"

Recommendation

Comply with DOM, Article 6, Section 12000 and SAM, Section 20050.

II. HEALTH AND SAFETY

A. Plant Operations

1. Hazard Communication Program (HCP)

Plant Operations is not maintaining chemicals in accordance with the CCR, Title 8 and the DOM. Deficiencies were noted at the following locations:

Electrician shop

- The MSDS binder is not updated or user friendly.

Plumbing shop

- The MSDS is not maintained for chemicals used and stored;
- The MSDS binder is not updated or user friendly;
- A daily perpetual inventory is not conducted;
- Chemicals are not maintained in approved cabinets; and
- The chemical storage cabinet is not secured.

Stationary Engineers shop

- The MSDS is not maintained for chemicals used and stored;
- A daily perpetual inventory is not conducted;
- Chemicals are not maintained in approved cabinets;
- The MSDS binder is not updated or user friendly; and
- The chemical storage cabinet is not secured.

Boiler House

- The MSDS is not maintained for chemicals used and stored;
- A daily perpetual inventory is not conducted; and
- The MSDS binder is not updated or user friendly.

This condition could result in an increased threat to life, health, and safety, and gives the appearance that an effective IIPP has not been implemented.

CCR, Title 8, Section 5194, HCP, states in part: "Department heads shall monitor daily compliance with this procedure in the areas of their responsibility. . . Each area supervisor shall ensure that every person required to work with or use hazardous, toxic, volatile substances is appropriately trained."

DOM, Section 52030.2, states: "This procedure shall establish a method for the identification, receipt, training, issue, handling (or use), inventory, and disposal of hazardous substances, which is in compliance with all federal, State, and local laws or ordinances."

DOM, Section 52030.4.1, states in part: "Maintain a constant daily inventory of all hazardous substances used or stored. . . ."

Recommendation

Comply with the CCR, Title 8 and the DOM.

2. Cross Connection Program (Prior Finding)

The Audits Branch noted the following deficiencies regarding the Backflow devices:

- A master list identifying the location, serial number, manufacturer, and the number of back flow devices that are to be tested annually does not exist;
- The Audits Branch could not determine how many backflow devices are located throughout the facility;
- There is no published cross-connection schedule for 2008;
- The Audits Branch could not determine whether all backflow devices are tested on an annual basis; and
- Backflow devices that failed tests are not repaired and re-tested.

This issue results in difficulty determining locations and whether devices are tested annually.

CPC, Section 603.3.2, states: “The premise owner or responsible party shall have the backflow prevention assembly tested by a certified backflow assembly tester at the time of installation, repair, or relocation and at least on an annual schedule thereafter or more often when required.”

SAPMS guidelines, states: “Establish an effective and efficient (PM) procedure. This procedure must establish the systematic maintenance of all major institutional facilities and equipment.”

California Department of Health Services Drinking Water and Environmental Management Division recommends that test results should be kept on file in a central location.

Recommendation

Create a master list or use plot plans to identify all locations and devices, maintain accurate data within the FC database, and test backflows on an annual basis.

3. Safety Meetings

Safety meetings (tailgates) are not conducted for each maintenance section at least every ten days and written minutes are not taken. Seventy-five percent of the shops tested did not conduct and document consistent safety meetings.

This condition results in staff not performing duties in a safe and healthful manner.

CCR, Title 8, Article 3, Section 8406(e), IIPP, states in part: “. . . supervisory personnel shall conduct “toolbox” or “tailgate” safety meetings with their crews at least weekly on the job to emphasize safety. A record of such meetings shall be kept, stating the meeting date, time, place, supervisory personnel present subjects discussed and corrective action taken, if any, and maintained for inspection.”

Recommendation

Comply with the CCR, Title 8.

III. INTERNAL CONTROL

A. Inmate Trust Accounting

1. Release Fund Reconciliation

The Release Fund Reconciliation sheets are not properly completed. The form has a signature area for the custodian and counters; however, it is missing the date prepared and the date reviewed.

This condition results in difficulty determining the dates of preparation and review.

SAM, Section 7908, states: "All reconciliations will show the preparer's name, reviewer's name, date prepared, and date reviewed."

Recommendation

Complete reconciliations as required by SAM.

2. Group Account By-Laws

Group Account By-Laws are not available and/or maintained. Six of the seven active group accounts do not have by-laws available.

This condition results in difficulty determining the purpose of the Group Accounts, types of activity and approval process.

SAM, Section 19440.1, states: "Each trust account established shall be supported by documentation as to the type of trust, donor or source of trust moneys, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of moneys for administrative or overhead costs. This documentation will be retained until the trust is dissolved."

Recommendation

Establish and maintain Group Account By-Laws in accordance with SAM.

3. Separation of Duties

Separation of Duties is inadequate over securities. One person has significant control over all aspects of securities from receipt to disposition. Additionally, the subsidiary ledger is not stored separately from the securities.

This condition may result in the late detection of errors, irregularities, theft, and/or misappropriation.

SAM, Section 20500, Internal Control, states in part: “. . . elements of a satisfactory system of internal accounting and administrative controls, shall include, but are not limited to: 1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets...3. A system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures....”

Recommendation

Ensure that separation of duties over securities is adequate.

4. Control over Blank Check Stock

There is insufficient control over blank check stock. Check signers have the combination to the safe. This is inappropriate because the check signer has access to the blank check stock that is stored in the safe. Additionally, the safe is left open during business hours.

This condition may result in the late detection of errors, irregularities, theft, and/or misappropriation.

SAM, Section 8080, states in part: “The person signing checks manually after personally comparing them with authorizations and supporting documents ... will not have access to or control blank check stock.”

SAM, Section 20050, states in part: “The elements of a satisfactory system of internal accounting and administrative controls, shall include, but are not limited to: 1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of State assets. . . .”

Recommendation

Ensure that the check signers do not have the combination to the safe in which the blank check stock is stored. Also, ensure that the safe is adequately secured.

5. Check Mutilation

Spoiled, voided, and cancelled checks are not properly mutilated to prevent their misuse.

This condition could result in the misuse of checks.

SAM, Section 8041, states in part: "Agencies will stamp or write in ink the word "void" across the face of such checks. Agencies also will cut, tear off, or block out completely the signature portion of these checks. . . ."

Recommendation

Void or cancel checks in accordance with SAM.

6. Salary Warrants

Undeliverable Salary Warrants over 90 days are not returned to the State Controllers Office in a timely manner. As of July 24, 2008, there were 38 undelivered checks located in the cashier's office.

This condition could result in loss of interest to the State.

SAM, Section 8580.5, states: "Warrants not delivered within 90 calendar days of receipt must be deposited and remitted to an escheat revenue account in the original fund that provided the resources to the State Payroll Revolving Fund."

Recommendation

Remit unclaimed salary warrants over 90 days to an escheat revenue account.

7. Check Signers

A departmental interoffice memorandum was not issued to designate a list of check signers.

This condition results in difficulty determining who is authorized to sign checks.

SAM, Section 8001.2, states: "Agencies will prepare a departmental interoffice memorandum listing the names of each person authorized to sign agency checks."

Recommendation

Create and maintain a departmental interoffice memorandum of designated check signers.

8. Release Fund

The Release Fund in the amount of \$10,000 had a shortage of \$67.99 which initially occurred on September 6, 2007. The fund has not been replenished to its original amount for ten months.

This deficiency may result in difficulty resolving the shortage and a late detection of errors and irregularities.

SAM, Section 8070, states: "State officers and employees who receive and disburse money will be held accountable for the money in their custody. They will be held personally responsible for any cash discrepancies. Each Department differs as to their collection activities, frequency, and amount of cash collected. Therefore, each Department is responsible for establishing standards of performance for their cashiers and prescribing corrective actions to be utilized when performance standards are not satisfied."

Recommendation

Resolve cash shortages in accordance with SAM.

9. Inmate Welfare Fund

IWF is not remitted twice a month as required. Additionally, there are negative balances that are not reflected on the remittance.

This condition could result in the loss of interest income.

August 26, 2004 Memorandum, Exemption for Inmate Welfare Fund from SAM, Section 8091, states in part: ". . . remit IWF monies at least twice a month: At mid-month and at month-end after the monthly reconciliation."

Recommendation

Remit IWF twice a month.

B. Procurement

1. Purchasing Participation Goals

CMF has not achieved its participation goals for SB and DVBE. The Audits Branch noted that 13.39 percent of all expenditures are attributed to SB instead of 25 percent and 1.7 percent to DVBE instead of 3 percent.

This condition may affect the Department's purchasing authority. DOM, Section, 22030.6.4.1, states: "At least 25 percent of the dollar value of delegation orders shall be placed with small businesses."

Purchasing Authority Manual, Section 3.2.1, states: “Each department shall have an annual statewide participation goal in State contracting of not less than 25 percent for SB and not less than 3 percent for DVBE.”

Recommendation

Establish a system to ensure that the DOM and the Purchasing Authority Manual participation requirements are met.

IV. LATE DETECTION AND ADDITIONAL WORKLOAD

A. Personnel Transactions

1. ARs

According to the D03 Aging Report dated June 30, 2008, the personnel staff did not take action on 439 ARs totaling \$133,805, which were outstanding for over 90 days.

This condition makes it difficult to collect money owed, and gives the appearance of an interest-free loan. Additionally, this condition creates an additional workload and may be a hardship to the employee when collection efforts begin.

Accounting Instructional Memorandum 99-09, Accounts Receivable Process, Section A, states in part: “. . . the employees must repay any overpayment, to employers.”

SAM, Section 8776.7, states in part: “Departments will notify employees (in writing) of overpayments and provide them an opportunity to respond....”

Recommendation

Clear old ARs timely. Also, monitor the process for compliance.

2. Salary Advances

According to the Aged Revolving Fund Advance report from the RAO dated June 30, 2008, the personnel staff did not taken action on 45 Salary Advances totaling \$55,445.

This condition results in difficulty clearing aged advances. Additionally, it creates additional workload and gives the appearance of an interest free loan.

SAM, Section 8595, Revolving Fund Advances, states in part: “Normally, agencies will make revolving fund payments to employees for salary earned only when (1) there have been error or delays in submitting or processing documents

making it impossible for the State Controller's Office to prepare and deliver proper salary warrants with a reasonable time"

SAM, Section 8776.7, states in part: "Departments will notify employees (in writing) of overpayments and provide them an opportunity to respond...."

Recommendation

Clear salary advances timely. Also, monitor the process for compliance.

B. Inmate Trust Accounting

At the time of the Audit, CMF was using the ITAS. However, starting November 1, 2008, the accounting system will change to TRACS, which is a statewide and real-time system that manages inmate funds, restitutions, and CDCR's obligations. The Audits Branch will verify the conversion during the follow-up audit. However, during the Audits Branch review, the following findings exist.

1. General Ledger

The Inmate Trust Accounting Office did not maintain a Manual General Ledger.

This condition could result in difficulty reconciling accounts, late detection of errors, and irregularities.

SAM, Section 8093, states: "General Cash and Agency Trust Fund Cash received will be entered in Cash Receipts Registers."

The Inmate Trust Fund Manual, states: "ITAS is not a true accounting system, therefore a Manual General Ledger is used to make sure every transaction is entered in the ITAS, in the correct amount, for the correct amount, and in the correct time period."

Recommendation

Initiate and maintain a Manual General Ledger that reflects all accounts. Perform this task daily and reconcile to the General Ledger daily.

2. Outstanding Checks

As of July 2008, there are 136 outstanding checks totaling \$10,385 that are over one year old. Additionally, funds are not credited to the inmate trust accounts.

This condition could result in difficulty determining if checks are cleared and reconciled to accounts, as well as, loss of interest income. Additionally, funds are not credited to Inmate Trust Accounts.

SAM, Section 18424.2, states in part: "Checks have a one-year period of negotiability. Uncashed or unclaimed agency trust fund checks will be canceled"

Recommendation

Clear outstanding checks in accordance with SAM.

3. Gifts and Donations

Cash gifts/donations are deposited and maintained in the Miscellaneous Uncleared Collections account without preparation of a CDC Form 922 (Authorization to Accept Gifts/Donations). Additionally, a special purpose trust account for gifts/donations has not been established. Cash gifts/donations must be in a separate account because combining funds may impact the CDCR budget.

This condition may result in difficulty in identifying the donor, and purpose of the donation, as well as the date and amount. In addition, commingling funds may impact the CDCR budget.

DOM, Section 101110.4, states in part: "The Warden of each institution shall authorize the acceptance of gifts and donations not impacting the CDCR budgets. If the gift or donation has an impact on CDCR budgets, the Warden shall forward CDC Form 922 Authorizations to Accept Gifts/Donations to the CRM [Community Resource Managers] in the OCR [Office of Community Resources] for processing through the OFS [Office of Fiscal Services] Place all cash donations in a special purpose trust account."

Recommendation

Ensure that Gifts/Donations procedures are followed in accordance with DOM.

C. Plant Operations

1. Plant Operations Maintenance (POM) (Prior Finding)

POM reports are unreliable. The POM does not accurately reflect Plant Operations activities during the period sampled, January 2008 through June 2008. The following deficiencies were noted:

- The POM report is not routed and reviewed by the Warden;
- The POM report is understated by over 25,000 hours;
- There were over 6,0000 hours of overtime at a cost of \$260,225 which is not captured;
- The actual number of staff is not listed;

- Eleven of the thirteen trades assigned to Plant Operations do not meet the minimum hours for a pay period;
- The data identifying back log is inaccurate;
- Capturing “Other Hours” are not maintained; and
- Priorities on work orders are inaccurate.

This condition may result in inaccurate reports provided to institutional management and Central Office Maintenance Unit, SAPMS. In addition, Plant Operations activities are misclassified.

DPOMPM and the DOM, Section 11010.12.4.4, states: “Compile information for monthly reports as appropriate.”

SAPMS guidelines, states in part: “Routing copies of the report to the following: Warden, Correctional Administrator, Business Services, and Correctional Plant Manager....”

Recommendation

Review and validate reports to ensure that they accurately reflect Plant Operations activities. In addition, route report for review according to the SAPMS guidelines.

2. CDC 1697 (Prior Finding)

The Audits Branch reviewed CDC 1697s at, the Boiler House, Electricians, Engineers, and the Plumbing Shops. The following deficiencies were noted:

- Inmate duty statements were not always present and/or signed by staff and inmates;
- Inmates are not signed in at the beginning of their work shift and inmates were signed out prior to the end of their shift;
- Initials are used to certify inmate work time and absences instead of signature;
- The reasons for using Exceptional Time (E, A, S) Excused, Absent, and Sick are not documented;
- Unauthorized duplications of the CDC 1697 are made and used which do not have Non correctable copies attached; and
- The IWTIP guidelines have not been reviewed and updated since 2002.

These conditions could result in inaccurate documentation of the time inmate worked, unauthorized corrections on the CDC 1697, and possible overpayment.

CCR, Title 15 3045, Timekeeping and Reporting, states in part: “Supervisors shall be responsible to record and report all work/training time and absence”

IWTIP guidelines states in part: “To effectively supervise and document inmates that are assigned to a Work/Training Program, the following must be utilized; The Daily Movement Sheet number . . . page 10, It is imperative that logs be filled out every day at the start and end of each shift. page 12, the CDC 1697) is a legal document . . . All supervisors are mandated to use the inmate work supervisors log; the second page (yellow copy) will be given to the inmate . . . DIRECTIONS TO COMPLETE CDC 1697, STEP 26, states in part: “TIME KEEPERS SIGNATURE. Not initials. . .”

Recommendation

Complete the CDC 1697 as events occur. Maintain IWTIP documents in accordance with IWTIP guidelines and CCR, Title 15.

3. EMDSS (Prior Finding)

Trades staff are not preparing EMDSS when a new piece of equipment is installed, such as ovens, water heaters, and coolers. As a result, equipment/assets are not clearly identified with the standard equipment code on each piece of equipment (SAPMS tags). In Food Services 83 percent of equipment tested did not have identifiers. Also, PM schedules are not established for new equipment.

This condition could result in difficulty identifying assets. This may cause inaccurate reports and inventories and also diminishes the accuracy of the database. Additionally, the equipment is not tagged and PM schedules are not established.

DPOMPM, states: “Develop assignment schedules for the completion of the PM.”

DPOMPM, Section 2.D.5 states in part: “All equipment will be clearly identified by placing the unique standard equipment code on each piece of equipment . . .”

DPOMPM, Task number 8, states: “Transfer equipment data from the Equipment Maintenance Summary Data Sheets following the guidelines in the Departmental Standard Plant Operations Maintenance Procedures Manual”

Recommendation

Prepare the EMDSS and forward it to the SAPMS administrator timely to place newly purchased equipment on a PM schedule. Tag equipment in accordance to the DPOMPM.

4. Emergencies/Priority 1

The completed emergency work orders are not properly recorded (i.e., threat to life, health, and safety). Additionally, it is not included in the equipment history in

the FC database. There are 37 Priority 1 work orders that remain open or have been deferred over 90 days and have not been re-classified as complete.

This issue could create an immediate threat with the Institution.

DPOMPM and SAPMS guidelines, states in part: "Priority 1 maintenance is requested due to problems that pose an immediate threat to institutional security and/or the health and safety of staff and/or inmates . . . Plant Operations supervisory staff will instruct the appropriate shop to complete the necessary repairs and it will be the responsibility of the responding tradesperson to prepare a work order upon completion of the repairs and to route the completed work order to the work order desk via the tradespersons supervisor."

Recommendation

Complete all emergencies and document by closing the work order within the FC database in a timely manner.

**OFFICE OF AUDITS AND COMPLIANCE
AUDITS BRANCH**

CALIFORNIA MEDICAL FACILITY

GLOSSARY

AR	Accounts Receivable
CAP	Corrective Action Plan
CCR	California Code of Regulations
CDC 1697	Inmate Work Supervisor's Time Log
CMF	California Medical Facility
CDCR	California Department of Corrections and Rehabilitation
CPC	California Plumbing Code
DOM	Department Operations Manual
DPOMPM	Departmental Plant Operations Maintenance Procedures Manual
DVBE	Disable Veterans Business Enterprise
EMDSS	Equipment Maintenance Data Summary Sheets
FC	Facility Center
Form 922	Authorization to Accept Gifts/Donations
HCP	Hazard Communication Program
IIPP	Injury and Illness Prevention Plan
ITAS	Inmate Trust Accounting System
IWF	Inmate Welfare Fund
IWTIP	Inmate Work Training Incentive Program
MSDS	Materials Safety Data Sheet
OAC	Office of Audits and Compliance
PM	Preventive Maintenance
POM	Plant Operations Maintenance
POPM	Plant Operations Procedure Manual
ROA	Regional Account Office
SAM	State Administrative Manual
SAPMS	Standard Automated Preventive Maintenance System
SB	Small Business
TRACS	Trust Restitution Accounting and Canteen System

SAMPLE FORMAT CORRECTIVE ACTION PLAN				
Item #	Audit Finding	Responsible Personnel	Proposed Action	Date to be Completed
A.1	WRITTEN NOTICE Of the 30 records reviewed, 24 (80 percent) contained a clearly stated date and reasons for placement in part I, Notice of Reasons for Placement date. The remaining three records failed to clearly document the reason for placement in sufficient detail to enable the inmate to prepare a response or defense.	Facility Captain Do Not use individuals names and do Not use Acronyms.)	A. Facility Captains will ensure that each inmate placed in Administrative Segregation will have the placement date included on all CDC 114-Ds processed. B. Training will be provided by the Facility Captains to ensure sufficient information is documented in abundant detail in order for an inmate to articulate a response or defense	2/2/2006